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LONG ABSTRACT

THEATRE BETWEEN MARKET, STATE POLICIES, AND COOPERATION: INSIGHTS FROM LAW AND ECONOMICS

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This paper examines theatrical production processes from a law and economics perspective. While applying these disciplines to theatre might initially seem unusual, the field provides a range of organizational patterns rarely found elsewhere in such a pronounced way. As such, theatre offers a compelling case study for exploring institutional and organizational complexities, potentially offering insights that are transferable to other fields.

Due to the growing professionalization of the sector, theatre has developed complex organizational structures increasingly comparable to those found in *non-cultural* domains (Gallina, 2014). This has given theatre - and other cultural industries - a hybrid nature, positioning it at the intersection of artistic and cultural production on the one hand, and entrepreneurial and managerial logics on the other (Suddaby and Sherer, 2024).

Given this hybrid and complex character, it is nonetheless crucial, before examining the organizational dynamics of theatre, to acknowledge features inherent to its cultural dimension that distinguish it from other organizational fields. In particular, it is first necessary to clarify what type of *good* theatre represents.

Theatre operates within a complex framework characterized by a specific relationship with state policies and public funding. Its inclusion in the *cultural domain* (Barbati, 1996), combined with its nature as a *live performance*, makes autonomous sustainability and full financial self-sufficiency through market mechanisms alone particularly difficult, especially given the weight of labour costs (Maffei Alberti, 2009; Baumol and Bowen, 1966). Theatrical productions are non-replicable, ephemeral, and often tailored to

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small or local audiences, meaning that revenues from ticket sales and private sources – such as sponsorships or partnerships – are rarely sufficient to cover production and operational expenses (Traub and Misson, 2005; Immordino and Contieri, 2023; Barbati, 1996).

Baumol and Bowen (1966) thoroughly analysed the performing arts sector and demonstrated its structural market failures. They argued that the sector is affected by a “*cost disease*”, highlighting the difficulty live performance enterprises face in achieving a sustainable economic balance. Building on the recognition of the intrinsic value of the arts, academic literature has classified them as *merit goods* (Musgrave, 1959), thereby justifying state provision on paternalistic grounds (Musgrave, 1957; Traub and Misson, 2005). In this view, given the intrinsic value society attributes to certain cultural and performing arts activities as merit goods, and in order to counterbalance their insufficient or limited market demand, access should be guaranteed to the community in light of the expected benefits of personal enrichment they generate for society as a whole (Immordino and Contieri, 2023).

In parallel, by generating positive externalities - such as civic engagement, education and social cohesion - by contributing to cultural diversity and the preservation of heritage, and by promoting creative expression, theatre is widely recognized as a carrier of public value (Cwi, 1980). As such, it is often treated as a *quasi-public good*: a good that, while non-rivalrous or non-excludable, justifies public intervention to correct market failures and to support the preservation of the broader societal benefits it provides (Wiśniewska, Zawojka, Baldin, and Bille, 2023). In the Italian context, this intervention is also, to some extent, required to fulfil the recommendations of Article 9 of the Constitution (Battelli, 2020).

Clarifying the type of good under consideration when referring to theatre also helps explain the form of internal *coordination* adopted in theatrical productions and makes it possible to examine how organizational dynamics are shaped among the various stakeholders involved in the production process (Sacchetti and Catturani, 2021). The key question is which forms of coordination best sustain the creative dimensions and public value of theatre, moving beyond the traditional economic focus on self-interest and profit maximization (Sacchetti, 2023).

Following Karl Polanyi’s conceptualization of the “*resource integration systems*” (Polanyi, 1944; Polanyi, 1977)², it has been possible to identify *market*, *hierarchy* (or *authority*), and *cooperation* as the three primary modalities for conducting economic transactions (Sacchetti, Borzaga and Tortia, 2023). The study of these mechanisms, and of their simultaneous presence within organizations (Sacchetti and Catturani, 2021), is particularly relevant for understanding both the functioning of theatrical productions and their organizational complexities from an economic perspective. Among these, *cooperation* often emerges as the preferred form of governance, as it fosters creative development, while

² Polanyi presented as forms of resource integration within a society redistribution, reciprocity, and exchange.

elements of hierarchy and market coordination can also provide benefits (Sacchetti, 2023). The analysis will therefore consider the extent to which market dynamics can contribute to artistic creativity, while emphasizing that exclusive reliance on market efficiency to determine what should be produced- and how - is not suitable for the cultural sector. This explains why the allocation of significant public resources is specifically designed to promote artistic diversity (Immordino and Contieri, 2023).

Focusing on the effects of economic organisation on creativity is relevant not only for its potential links to innovation and growth but also for its implications for individual and collective *wellbeing* and *self-actualization* (Sacchetti, 2023; Sacchetti and Tortia, 2024). This discussion will explore the extent to which these outcomes depend on the presence of deliberative processes and inclusive organizational choices, as is often the case in theatre (Dewey, 1922, 1927; Sacchetti, 2015). Moreover, drawing on Maslow's humanistic psychology, the theory of needs and personal fulfilment provides a useful framework for assessing the effects of economic organizations on individuals. Following Sacchetti (2023) and Sacchetti and Tortia (2024), self-actualization is not only seen as a psychological process but is also shaped by the institutional and organizational contexts in which individuals operate (Sacchetti and Sugden, 2025). This perspective opens a discussion on whether organizational forms can inhibit or, conversely, foster creativity and the fulfilment of self-actualization needs.

Beyond its effects at the individual level, self-determination and creativity are also valorised and sustained for the benefit of others, contributing to the stimulation of new ideas and initiatives that extend beyond single organizational settings (Sacchetti and Sugden, 2025). By exploring the *collective dimension* of creativity, the discussion extends into its political economy, namely the capacity of theatre to generate positive externalities with the characteristics of a public good (Sacchetti, 2023). This further reinforces the idea advanced at the beginning of this paper: theatre constitutes a good whose benefits extend not only to those directly involved – such as actors, directors, and other creative and technical professionals - but also to society as a whole. It also contributes to defining forms of “*cultural vitality*”, understood as the capacity of a given socio-economic context to enable communities to generate self-actualizing and fulfilling activities while simultaneously pursuing collectively desirable development goals that reflect the common good (Sacchetti and Sugden, 2025).

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